

FISCAL NOTE

Bill #: HB0223

Title: Authorize state land sale proceeds for land purchases

Primary Sponsor: Lawson, B

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
Expenditures:		
State Special Revenue	\$0	\$153,600
Revenue:		
State Special Revenue	\$0	\$153,600
Net Impact on General Fund Balance:	\$0	\$0

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input checked="" type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. The Department of Natural Resources and Conservation (DNRC) will conduct rule making and implement the land banking program in FY 2004.
2. The lands sold in FY 2005 will likely be marginal grazing lands with an estimated appraised value of \$200 per acre for those lands without legal access and an estimated appraised value of \$400 per acre for those that have legal access. Acquisition of replacement lands would likely occur in FY 2006.
3. Total projected trust land sale revenue in FY 2005 is \$1,536,000 from the sale of a minimum eight sections or 5,120 acres of trust land. Assuming half of the lands (2,560 acres) sold for \$512,000 (having no legal public road access) and 2,560 acres sold for \$1,024,000 (with legal public access).
4. Up to 10 percent of the sale price of land would be used for administrative costs associated with travel, advertising, appraisals, hazardous material and substances reviews, land surveying, title reports, realtor fees, etc.
5. Section 9 of the bill requires fees collected pursuant to 77-2-328, MCA, be put into TAC account as provided in 77-1-108, MCA. Since 1990, only \$500 has been collected and deposited to the general fund. No fiscal impact is expected due to this change during the 2005 biennium.

Fiscal Note Request HB0223, As Introduced
(continued)

FISCAL IMPACT:

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
<u>Expenditures:</u>		
Operating Expenses	0	\$153,600
<u>Funding of Expenditures:</u>		
State Special Revenue (02)	0	\$153,600
<u>Revenues:</u>		
State Special Revenue (02)	0	\$1,536,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
State Special Revenue (02)	0	\$1,382,400

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

There may be a minor impact on county or other local revenues and expenditures in that any state lands that are sold will become taxable and lands acquired by the state will become tax exempt. Because at least 50 percent of the lands proposed for sale by the state have no legal access and the state will be looking to acquire lands that will enhance or have legal access, it is anticipated that they will probably have a higher per acre value and thus cost slightly more for the state to acquire. This could result in more acreage available for local advalorem taxation by counties.

LONG-RANGE IMPACTS:

The intent of this legislation is to enable the state to acquire lands that have greater revenue-generating potential and public benefits through increased public access than the lands the state will sell. Marginal and land-locked parcels typically do not bring in more than a minimum amount of rental. Land banking would result in an overall more viable trust portfolio.

DEDICATION OF REVENUE:

- a) Are there persons or entities that benefit from this dedicated revenue that do not pay?
(please explain)
No. Under this bill, state trust lands would be sold and the proceeds from the sales be used only for the acquisition of replacement lands.
- b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?
Under the provisions of the Constitution and laws of the State of Montana and the state's Enabling Act, proceeds from the sale of state trust lands are to be used exclusively for the support and maintenance of the beneficiaries of the various established trusts. In accordance with those provisions, the current proposal requires that the funds are to become part of the permanent trust if not used to acquire other properties within 10 years of the date of sale. By establishing the requested special revenue account, the proceeds, fees and interest from funds deposited into the Land Bank fund will be tracked separate from other funds. The principle and interest attributable to the various grants and dedicated beneficiaries will be tracked individually.
- c) Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)
Yes. The program is anticipated to be self funding. The proceeds from individual land sales could only be used to acquire replacement lands for the various trusts. Up to 10% of the proceeds from the sale of state trust lands can be used to administer the program.
- d) Does the need for this state special revenue provision still exist? X Yes No (Explain)
- e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)
Yes. Currently, the Board of Land Commissioners has constitutional authority to dispose of and exchange state trust lands. This bill would now authorize the board to purchase new lands as long as those acquisitions were consistent with provisions in this bill. The bill does not require the board to consult with the Legislature prior to expending land bank funds.
- f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)
Yes. The intent of this legislation is to enable the DNRC, as it may be directed by the Board of Land Commissioners, to acquire lands that are likely to produce a better rate of return than the lands that are sold. Revenues generated from the use of state trust lands are used exclusively for the benefit and support of our public schools and the various state institutions for which the lands are granted.
- g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)
The DNRC currently tracks all funds which are dedicated to the various trusts. No major changes in this area are anticipated. Interest earned on the invested principle would continue to be tracked separately for the individual trusts.